

Message Text

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16

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SUBJ: EFFECTIVE PHILIPPINE TARIFF RATES

REF: STATE 122277

1. AS STATED IN BOOK I, TITLE I, SECTION 104 OF PHILIPPINE TARIFF AND CUSTOMS REGULATIONS, "IN EFFECT, THERE ARE ONLY SIX LEVELS OF TARIFFS; 10 PER CENT (BASIC RATE), 20 PERCENT, 30 PERCENT, 50 PERCENT, 70 PERCENT, AND 100 PERCENT. TERM "REVENUE DUTY" IN CUSTOMS CODE WAS INTRODUCED AS MEANS OF EXPLAINING INTENT OF PHILIPPINE GOVERNMENT IN REPLACING ZERO DUTY CATEGORY WITH 10 PER CENT CATEGORY. IT HAS NO SIGNIFICANCE OTHER THAN TO INDICATE THAT MINIMUM DUTY IS NOW 10 PER CENT RATHER THAN ZERO. TO ELIMINATE SOURCE OF CONFUSION EMBASSY BELIEVES IT WOULD BE PREFERABLE TO OMIT SEMANTIC DISTINCTION BETWEEN TARIFF AND REVENUE DUTY AND SIMPLY FOLLOW PHILIPPINE PRACTICE OF REFERRING ONLY TO STATUTORY RATE.

2. WITH RESPECT CIF COMPUTATION, PHILIPPINES HAS ALWAYS FOLLOWED PRACTICE OF MAJORITY OF NATIONS OF COMPUTING

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DUTIES ON CIF BASIS. NEW TARIFF CODE SIMPLIFIES COM-

PUTATION OF CIF BASE BY UTILIZING 10 PER CENT OF "HOME CONSUMPTION VALUE" (E.E., FOB PRICE) AS AN EQUIVALENT TO INSURANCE AND FREIGHT. THIS SIMPLIFICATION, OF COURSE, REDOUNDS TO BENEFIT OF MORE DISTANT TRADING PARTNERS, SUCH AS U.S., FOR WHICH SHIPPING RATES ARE HIGHER.

3. IT IS NOT CORRECT TO STATE ON BASIS THIS COMPUTATIONAL SIMPLIFICATION THAT EFFECTIVE DUTY IS GREATER THAN STATUTORY RATE. THE DUTY IN THE CASE OF, FOR EXAMPLE, WHEAT, IS 10 PER CENT OF THE CIF EQUIVALENT OR 11 PER CENT OF THE FOB PRICE. IF ONE WERE TO CONVERT PHILIPPINE DUTIES TO THEIR FOB EQUIVALENT, ONE WOULD OF COURSE BE OBLIGED TO FOLLOW SAME PROCEDURE IN DUTY DISCUSSIONS WITH EVERY OTHER COUNTRY WHICH CALCULATES DUTIES ON CIF BASIS.

4. ASSESSMENT OF SALES TAX IS GOVERNED BY INTERNAL REVENUE CODE, AND TAX LEVELS DEPEND ON NATURE OF GOODS, NOT ON LEVEL OF DUTIES. FOR AGRICULTURAL PRODUCTS, OPERATIVE PROCEDURES ARE AS FOLLOWS.

5. BESIDES DUTIES, ACCORDING TO SECTIONS 183 AND 186 OF THE INTERNAL REVENUE CODE OF THE PHILIPPINES, A "SALES TAX ON IMPORTED ARTICLES" SHALL BE PAID IN ADVANCE PRIOR TO RELEASE AS FOLLOWS:

FIVE PER CENT ON

(A) PROCESSED MEAT, MILK, FRUITS AND VEGETABLES, FISH AND OTHER SEA FOODS;

(B) WHEAT FLOUR (WHICH INCLUDES WHEAT) AND

(C) POULTRY AND ANIMAL FEEDS.

SEVEN PER CENT ON OTHER AGRICULTURAL COMMODITIES INCLUDING COTTON.

THIS ADVANCE SALES TAX IS LEVIED ON 125 PER CENT OF THE "IMPORT INVOICE VALUE" INCLUDING FREIGHT PORTAGE, INSURANCE, COMMISSION, CUSTOMS DUTY AND ALL SIMILAR CHANGES. BY PROCESSED IS MEANT MORE THAN SIMPLE PROCESSES SUCH AS FREEZING, DRYING, SALTING, SMOKING OR UNCLASSIFIED

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STRIPPING."

6. IF IMPORTED COMMODITIES LIKE WHEAT AND COTTON ARE USED IN MANUFACTURE, THE SALES TAX PAID ON ARRIVAL IS CREDITED AGAINST THE SALES TAX ON THE FLOUR, TEXTILES OR OTHER PRODUCTS SOLD.

7. AGRICULTURAL FOOD PRODUCTS IN ORIGINAL STATE OR SIMPLY PROCESSED ARE EXEMPT AS ARE AGRICULTURAL NON FOOD PRODUCTS WHEN SOLD

BY PRODUCER OR IN PUBLIC MARKETS, ETC. A 2 PERCENT TAX IS PAID BY SUGAR AND COCONUT OIL MILLS ON THEIR PRODUCT. WHILE THE SITUATION IS COMPLICATED, IT DOES MEAN THAT SALES TAXES ARE IMPOSED ON IMPORTED AGRICULTURAL COMMODITIES WHILE ON DOMESTICALLY PRODUCED ITEMS, UNLESS HIGHLY PROCESSED, THERE IS NO TAX OR ONLY A SMALL ONE.

8. WHILE GOVERNMENT IMPORTS GENERALLY ARE DUTIABLE, SINCE 1966 THE GOP NATIONAL GRAINS AUTHORITY AND ITS PREDECESSOR, THE RICE AND CORN ADMINISTRATION, HAS BEEN AUTHORIZED, IF THERE WERE SHORTAGES, TO IMPORT RICE, CORN AND NOW OTHER CEREALS DUTY FREE.
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